

## Market Commentary

**Recap:** Oil futures ended higher Thursday and logged their highest settlement since mid-September, with global benchmark prices stretching their gains to a sixth consecutive session. February WTI traded at a high of \$61.40 a barrel before paring gains to settle at \$61.22, up 29 cents, or 0.5%, while February Brent peaked the session at \$66.68 a barrel, before it too pared gains for a settlement at \$66.54 a barrel, up 37 cents, or 0.6%. Further declines are expected in U.S. crude oil inventories due to year-end tax consequences, as inventory holders tend to lower supplies at the end of the year to reduce tax costs. This should work to support prices. January RBOB rose 1.4% to \$1.7068 a gallon, while January heating oil rose 0.5% to \$2.0295 a gallon.

**Technical Analysis:** February WTI pulled away from the 200-day moving average for the third straight session, as it closes in on \$62.08, the 50% retracement level provided by the October low of \$51.27 and the April high of \$72.90.

As mentioned previously, we expect this market to work its way toward the \$62.50 area, but to having to fight its way getting there. Above \$62.50, additional resistance is set at \$64.00 to the downside, support is set at \$60.45, the current 200-day moving average and below that at \$59.76, the 10-day moving average.

**Fundamental News:** US Treasury Secretary, Steven Mnuchin, said that US and China will sign their phase one trade pact in the beginning of January. He said the trade deal has already been put down on paper and translated, and that it would not be subject to any renegotiation. China's Finance Ministry published a new list of six products from the US that will be exempt from tariffs starting on December 26<sup>th</sup>. The Finance Ministry said the exemption will be effective until December 25, 2020. It did not elaborate on why it chose the products or the approximate value of imports of these goods.

The Trump administration finalized US biofuel blending requirements for 2020 on Thursday, leaving a key part of the rule unchanged from an earlier proposal that the corn lobby had criticized as inadequate to help struggling farmers. The finalized rule increases the volume for blending requirements for 20.09 billion gallons in 2020, up from 19.92 billion gallons in 2019. The mandate included 15 billion gallons of conventional biofuels like ethanol, unchanged from 2019.

The EPA reported that the US generated 309 million biodiesel blending credits in November, compared with 375 million in October. It also reported that it generated 1.21 billion ethanol blending credits in November, compared with 1.26 billion in October.

The US said new evidence and analysis of weapons debris recovered from an attack on Saudi oil facilities on September 14<sup>th</sup> indicates the strike likely came from the north, reinforcing its earlier assessment that Iran was behind the offensive. However, the report noted that the analysis of the weapons debris did not definitely reveal the origin of the strike that initially shut in half of Saudi Arabia's oil production. In a similar report last week, the UN also said it was "unable to independently corroborate" that missiles and drones used in attacks on Saudi oil facilities in September "are of Iranian origin."

The US Labor Department reported that the number of initial claims for state unemployment benefits fell by 18,000 to a seasonally adjusted 234,000 in the week ending December 14<sup>th</sup>.

The US Commerce Department reported that the US current account deficit fell to more than a one-year low in the third quarter as imports declined sharply. The current account deficit fell 0.9% to \$124.1 billion in the third quarter, the lowest level since the second quarter of 2018.

**Early Market Call - as of 8:55 AM EDT**

WTI - Jan \$60.99, down 19 cents

RBOB - Jan \$1.7128, up 58 cents

HO - Jan \$2.0335, up 41 cents

## All NYMEX | Prior Settlements

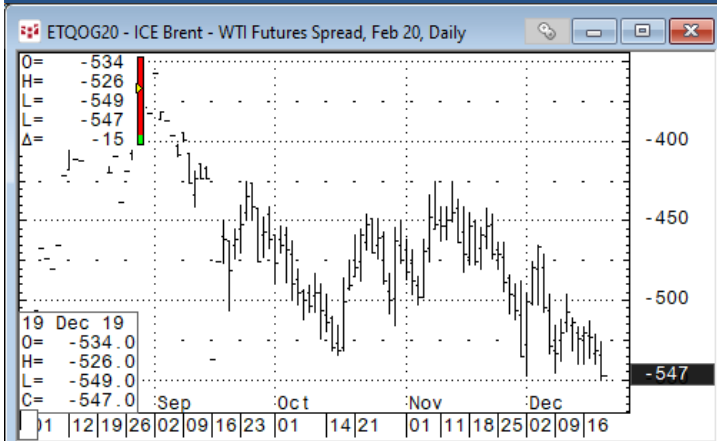
Month	ULSD (HO)	Prior Settle	Change In
	Close	Change	One Week
Jan-20	2.0295	0.0092	-0.0787
Feb-20	2.0287	0.0085	-0.0717
Mar-20	2.0217	0.0091	-0.0790
Apr-20	2.0039	0.0092	-0.0772
May-20	1.9877	0.0085	-0.0724
Jun-20	1.9740	0.0074	-0.0679
Jul-20	1.9673	0.0067	-0.0643
Aug-20	1.9622	0.0062	-0.0611
Sep-20	1.9590	0.0058	-0.0583
Oct-20	1.9562	0.0052	-0.0557
Nov-20	1.9536	0.0046	-0.0531
Dec-20	1.9503	0.0039	-0.0503
Jan-21	1.9472	0.0033	-0.0475
Feb-21	1.9376	0.0027	-0.0445
Mar-21	1.9227	0.0021	-0.0412
Apr-21	1.9023	0.0015	-0.0390
May-21	1.8882	0.0012	-0.0376

Other Front Month NYMEX		Close	Change
Crude - WTI	Feb Brent-	\$61.1800	\$0.3300
Crude - Brent	WTI Spread	\$66.5400	\$0.3700
Natural Gas	\$5.36	\$2.2730	-\$0.0130
Gasoline		\$1.7068	\$0.0230

## EIA Working Gas Storage Report

	13-Dec-19	06-Dec-19	Change	Year Ago
East	838	867	-29	698
Midwest	973	1,013	-40	847
Mountain	186	193	-7	154
Pacific	273	276	-3	229
South Central	1,142	1,168	-26	865
Salt	319	321	-2	263
Nonsalt	823	847	-24	602
Total	3,411	3,518	-107	2,793

## ICE February Brent-WTI Spread



## WTI Forward Curve

